

case by the investor consists partly of the value of the capital amount, and partly of interest which has grown. In other words, 90 should be entered in his capital account as the value of the investment, and 15\$. in his interest account as a liability to be redeemed when the stated interest is next received.

This suggests a practical caution. When we compare, for purposes of buying and selling stocks, the return obtained from different classes of securities, in order to ascertain their relative dearness or cheapness—we must notice when the interest on each becomes periodically due (as some prices will include more accrued interest than others), and our decision of choice (so far as this point is concerned) will then proceed on a uniform basis of estimate.

## II.—THE RETURN DERIVED FROM AN INVESTMENT

The clearest and most conclusive exposition is frequently that which is not verbal (or what was termed by older writers, the rhetorical mode), but is presented in the form of concrete examples of actual instances.

A bond for £100, bearing interest at the rate of 3 \*per cent per annum and redeemable at par (that is, at the amount expressed in the bond as the debt) at the end of thirty years from its issue, is purchased for £95—the security thus, for various reasons adversely affecting its appreciation in the market, standing at a discount of 5 per cent. The return *per cent* which the buyer secures for each £95 so invested is obtained from the proportion: as £95 is to the £3 annually received, so is £100 to the actual return on the purchase money, which works out at about £3 35. %d. per cent. But at the end of the term of the currency of the bond the holder receives £100 for his £95, or a bonus of £5 in respect of each £100 of the bond. Assume that he bought it five years after its issue, so that the unexpired period is twenty-five years. Now £1 a year will (at, let us suppose, 3 per cent as a safe rate) accumulate to £36 9s. 2cZ. by the end of twenty-five years ;• hence by proportion 2s, 9<:Z, per annum will accumulate to the £5 in question. In

this aspect of the case the purchaser may be regarded as receiving, (1) the £3 a year of interest, and